

Southgate Water Systems, Inc.
100 N. Fruitland St., Suite C
Kennewick, WA 99336
December 19, 2008

2008 DEC 26 AM 8:57
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Washington State Utilities
and Transportation Records Center
P. O. Box 47250
1300 S. Evergreen Park SW
Olympia, WA 98504

Re: Water Rate Tariff Increase

Ladies and Gentlemen:

Southgate Water Systems, Inc. is filing the request for approval of a general rate increase to recover operating and capital costs associated with providing water service. The following items are presented for your consideration of the rate increase.

1. Notice to customers outlining the rate changes and reasons for the increase. It has been three years since the last rates were established.
2. Projection of gross revenue using rates requested and 2007 water usage
3. Projection of income and expenses utilizing revenue from new rates and 2007 expenses less unusual repair item
4. Income statement for the year ended 12-31-07
5. Balance sheet of 12-31-06 and 12-31-07
6. Depreciation schedule for 12-31-07 on an income tax basis
7. Depreciation schedule for 12-31-07 on a straight line basis
8. Water revenues by customer for 12 months ended 12-31-07 and 9-30-08
9. Water usage by customer by month or quarter for 2007 and 2008 thru 9-30-08

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During 2007 an electrical surge damaged well equipment which cost \$20,732 to repair. Southgate Water Systems purchased equipment of \$23,771.85 to prevent future damage of this kind (copy of invoice attached).

Please note that none of the financial reports include any provision for salary to Mr. Manuel or any return on his investment.

Please let us know if you need any additional information to process this application for rate increase. Thank you for your assistance.

Very Truly Yours,

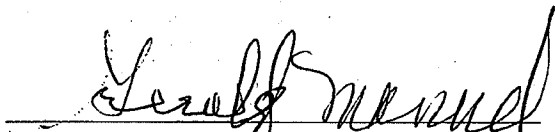


Robert E. Marple

REM/gh

Enclosures

Approved:


Gerald Manuel
President, Southgate Water Systems, Inc.